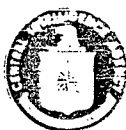


Central Intelligence Agency



Washington, D.C. 20505

CIA FILE - HP/SC/10/HIC
[Signature]

25 May 1988

Honorable Dan Rostenkowski, Chairman
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On 26 April 1988, Chairman Stokes of the Permanent Select Committee on Intelligence wrote you concerning a proposal to amend Section 912 of the Internal Revenue Code to provide tax treatment on allowances for certain Department of Defense personnel comparable to that provided to Foreign Service and Central Intelligence Agency employees for similar allowances. This proposal was contained in Section 601 of the Administration's proposed version of the Fiscal Year 1989 Intelligence Authorization bill, submitted to the Congress on 9 March 1988.

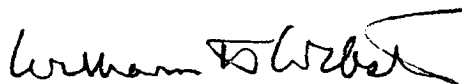
The background of the proposal is as follows. Several years ago, the Congress recognized that individuals employed overseas by the National Security Agency and the Defense Intelligence Agency serve in circumstances comparable to those of overseas employees of the Central Intelligence Agency and the Foreign Service and, as such, should receive comparable allowances. The Congress therefore extended to the former group of employees allowances comparable to those enjoyed by the latter. An inequity, however, remains between these groups: CIA and Foreign Service personnel receive favorable tax treatment on their allowances while comparable DoD officers do not. This proposal would rectify that inequity.

As the materials enclosed with Chairman Stokes' letter to you indicate, the proposal has previously received a favorable response in the Senate. We in the Intelligence Community strongly support it and would greatly appreciate its favorable consideration by the Ways and Means Committee.

Please let us know if you have any further questions.

The Office of Management and Budget advises that the submission of this report is consistent with the Administration's objectives.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "William H. Webster", with a stylized flourish at the end.

William H. Webster
Director of Central Intelligence

cc: The Honorable Louis Stokes, Chairman, Permanent Select
Committee on Intelligence